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SUBJECT: MEETING OF THE WTO TRADE NEGOTIATIONS COMMITTEE (TNC)
- SEPTEMBER 14, 2005

Summary

1. On September 14, 2005, the new WTO Director-General, Pascal Lamy, convened his first meeting of the Trade Negotiations Committee to outline a process for advancing the Doha Development Agenda (DDA) and ensuring that the upcoming Ministerial Conference in Hong Kong, China is a success. Lamy brought a new brisk, no nonsense style, emphasizing that he wanted more negotiating and less speeches. The Chairs followed his example in their presentations and Member comments were limited and to the point.

2. Lamy's overall message is that Hong Kong should serve as the two-thirds point in the negotiations and set the stage for completion of the negotiations at the end of 2006. In his statement, he pointed to key issues where he felt progress will be central to advancing the negotiations and he identified key actions that were needed for each of them. In terms of process, Lamy set a couple of informal benchmarks for the negotiations. By mid-October, he said Members should be in a position to assess the progress being made and define their ambitions for the Ministerial Conference, and by mid-November, the negotiating groups should have produced substantive and specific results so there is sufficient time for review in capitals. Time is short and Members are entering a three-month period of ongoing permanent negotiations leading up to Hong Kong, he said. He closed by urging Members to stay ambitious and not to settle for lowest-common denominator outcomes.

3. Following Lamy's presentation, the TNC heard reports from the negotiating group chairs and fourteen Members made statements. Lamy did not suggest a date for the next TNC, saying he would have a clearer picture of how to proceed following upcoming negotiations in key areas.

Lamy's Statement

4. Lamy opened the meeting by saying the essential question is - what do Members have to do to ensure that Hong Kong serves as the two-thirds point in the negotiations and sets the stage for successful conclusion at the end of 2006? This is the objective we should focus on, he said, because if Members do not make it two-thirds of the way in Hong Kong then prospects for a conclusion in 2006 will be seriously compromised.

5. Lamy then presented a "precise diagnosis" of essential questions to be solved if Members wanted to arrive at a coherent result in Hong Kong. The list is not exhaustive, he said, but these issues are "strategic" and progress is necessary to turn what has been a vicious cycle into a virtuous one.

- Progress on agriculture is needed urgently, he said. Members should prepare agreement on an end date for export subsidies as well as parallelism for state trading enterprises, export credits, and food aid. Members need a clear vision of what will be done on domestic supports including the reduction commitments and a tiered formula for reductions of the final bound aggregate measure of supports. On market access, there should be a solid package of equivalent ambition to the other pillars including a tiered formula with flexibilities for sensitive and special products. In addition, we must tackle "all elements of the cotton dossier," he emphasized.
- A lot of work remains to be done on NAMA, he said, including on core elements of formula, flexibilities, and unbound tariffs. Members need to strike the right balance between formula and flexibilities and make progress on the issues of preference erosion, sectors, and non-tariff barriers.
- On services, there is a new dimension - the importance of the issue for developing countries - that should energize the negotiations. In the run-up to Hong Kong, Members should develop different approaches that lead to more and

better commitments to open trade as well as improvements in services rulemaking.

- On rules, Lamy framed the goal for Hong Kong as "arriving as closely as possible to draft negotiated texts on antidumping, services and countervailing measures, and in fisheries subsidies." He encouraged Members to make "third-generation proposals" as well as drafting suggestions as soon as possible so that Members can focus on improvements in Hong Kong.
- Development should be integrated across all of the issues in the negotiations so the sum of results in each area delivers on the development dimension of the negotiations. In addition, there are development-related issues such as work on special and differential treatment where Members need to define an acceptable outcome for Hong Kong. He opined that Members should intensify work on TRIPS/public health so that agreement can be reached to amend the TRIPS text. He said that an "aid for trade" window would be essential to turn the development promise of the round into reality and noted the IMF and World Bank have started work on it.

16. On process, Lamy said he hoped today's TNC session would mark the beginning of a new and more productive phase for the TNC. He would call more formal and informal meetings, he said, but before scheduling anything specific he wanted to let the negotiating process continue in the respective groups. There are only three months left, he said, and Members should consider themselves in ongoing permanent negotiations.

17. In assembling the package for ministerial consideration in Hong Kong, Lamy said it would be important to make a transition between a vertical, issue-specific approach and an integrated approach. That task would be accomplished in a "bottom-up" fashion, he explained, with the components of the package being developed by Members in the negotiating groups, rather than a top-down approach where the DG or someone else simply threw a comprehensive text on the table.

18. He closed by setting a couple informal benchmarks - by mid-October, Members should be able to assess progress and define their ambitions for Hong Kong, and by mid-November, the process should aim for specific results and a consolidated text so that there is sufficient time for review in capitals. Lamy urged Members to stay ambitious, and not to settle for least-common denominator results.

Statements by Chairs

19. Lamy then invited the chairs to make statements, noting that the chair of the rules negotiations - Ambassador Valles Galmes of Uruguay - was out of town.

Agriculture

110. The agriculture chair, Ambassador Falconer of New Zealand, began by emphasizing that there is much to be done by mid-November. For better or worse, the negotiations are in a new phase, after the last phase (ending in July 2005) did not succeed in achieving a first approximation of modalities. Now we are on a path where we must achieve modalities by mid-November. It will be important to focus on essentials, both in terms of issues and sequencing.

111. To move forward, there must be political movement. We hear that intensive work is going on in capitals, but we have yet to see the fruit of any new developments. In short, we are still where we were in July, when Ambassador Groser prepared his overall assessment of the negotiations, and there is very little time to prepare for Hong Kong. He then posed three questions that would be pivotal to progress and which have been the topic of recent negotiations:

- First, on structure, should we continue to focus on a structure without numbers, or should we tackle both structure and ambition at the same time? Do we need numbers to help us move the discussion of structure forward?
- Second, how do we define the level of ambition?
- Third, with respect to balance, to what extent do we need to look at overall balance across the pillars? What are the tradeoffs necessary to reach agreement?

Services

112. Ambassador Jara began with an assessment of offers, saying there is widespread disappointment with the state of play including the number and quality of offers as well as new business opportunities created. At the current rate we would be very lucky, he said, if we had a critical mass of initial offers by the end of the round. [Note: Jara tabulated that there have been 69 initial offers from 93 Members, meaning

there are more than twenty offers outstanding not including LDCs or more than fifty including LDCs. Revised offers were due last May, he added, and so far there have been only 27 from 51 Members.]

Services negotiators have an intensive schedule leading up to the next services cluster on topics such as modalities for LDCs, which he felt should be part of the Hong Kong package, and on finding complementary approaches to request-offer to help address what he described as "the current unsatisfactory situation." Leading up to Hong Kong, he would work to further identify the expectations of Members across all aspects of the negotiations.

NAMA

¶13. Ambassador Johannesson agreed with Lamy that time is short and that the negotiations are entering a difficult phase. Future meetings would address formula, unbound tariffs, and flexibilities in an integrated and hopefully more forward-looking manner. Key challenges will be optimizing the balance between ambition and flexibility and moving to a meaningful dialogue over numbers. In addition, it will be important to address non-tariff barriers, he said, and he called for specific proposals from Members wishing to address the issue, reporting that so far proposals have not been forthcoming. He asked Members to stay on call in a continuous negotiating mode prior to Hong Kong.

TRIPS

¶14. Ambassador Ahmad provided a short report, explaining that there would be formal and informal efforts in the run-up to Hong Kong to try to overcome remaining blockages. A disagreement over the linkage of one proposal to the mandate of the Special Session has been resolved and all proposals can now be discussed. That is but a first step, he emphasized, and there has been no narrowing of differences on substantive issues including legal effects, participation, and cost and administrative burdens.

Trade and Environment

¶15. Ambassador Ali recalled that while all aspects of the mandate are important, the paragraph 31 (iii) aspect related to the reduction or elimination of tariff and non-tariff barriers to environmental goods and services remains the best candidate for tangible progress by Hong Kong. On this item, Members are trying to get a sense of what can be achieved in Hong Kong on the basis of a list approach, an environmental project approach, and/or other approaches. Other aspects of the mandate are equally important, he said, asking Members to reflect on what can be achieved.

Dispute Settlement Understanding

¶16. Ambassador Spencer said he did not have much to add to his written report from July. The focus of the upcoming negotiating session would be on five or six contributions made by Members in previous months. He hoped there would be a text by Hong Kong, but that would be up to the Members to decide. Members should focus on what they want out of this review, he said, and it is the responsibility of Members to negotiate amongst themselves to make this happen. He quipped that if the negotiations were a football match, it was time for the goal-keepers to become strikers.

Trade Facilitation

¶17. Ambassador Noor gave a short report, noting that there have been no meetings since the last TNC but work to prepare for the Ministerial Conference would resume soon. Next steps included a further assessment of proposals made, and the Secretariat compilation in TN/TF/W/43 would help to advance

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discussions. There has been a special focus on technical assistance, capacity building, and special and differential treatment, he said, where some progress has already been made but concrete ideas are needed.

Trade and Development

¶18. Faizel Ismael reported that there has been intensive work on the five LDC-specific issues - differences are narrowing and although Members are very close on some of those issues, they have not yet agreed on any of them. His approach in the near term would be to consult on what Members hope to achieve in Hong Kong, try to resolve the LDC-specific issues, and then move on to other agreement-specific proposals including those made by the Africa Group.

Statements by Members

¶19. Fourteen Members made statements, most of them heeding Lamy's request to be concise and not to repeat well-known positions. Themes included the shortness of time, the centrality of agriculture, the importance of transparency and

inclusiveness. A few specific points may be of interest to Washington agencies:

- India expressed concern that implementation issues were not included in Lamy's presentation. India described these issues as "vital" and called for progress specifically on TRIPS/CBD as well as granting additional flexibilities for developing countries in the TRIMS agreement. Bulgaria also pointed to implementation, opining that GIs is "the only implementation issue specifically mentioned in the Doha Declaration" and describing it as a key to a successful Ministerial Conference. Lamy responded that he would continue the same level of attention and involvement in these issues as his predecessor.
- In a reference to bananas, Honduras pointed to "collateral issues" that have important implications for the negotiations. Lamy responded that it would be important to ensure that litigation deadlines did not interfere with the negotiations.
- Costa Rica stressed the importance of tropical products and urged Lamy, in his consultations with different regions, to take into account differing viewpoints within regions. Lamy provided assurances that he would consult with all participants. Shark